

Hovnanian Turns In a Narrower Loss

Revenue Declined 46% in Quarter, Though Home Builder's Cancellation Rate Has Improved

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Hovnanian Enterprises Inc. posted a narrower loss in its fiscal third quarter on lower land-related write-downs.

But investors were disappointed because results missed estimates. In after-hours trading Wednesday, the company's shares fell 7.7% to \$4.29.

The Red Bank, N.J., home builder has been harder hit than many of its public peers by the worst housing downturn in generations. "They have too much debt and too little profit," said Steve Hagenbuckle, managing principal of TerraCap Partners, a real-estate private-equity fund.

Like other home builders, Hovnanian's prospects have been buoyed by recent signs that the housing market is improving.

Chief Executive Ara Hovnanian said improved contracts per active selling community continued for the third consecutive quarter. He added there seemed to be some stabilizing trends in the price for existing homes.

The home builder, which reported its 12th consecutive loss, said net loss for the quarter ended July 31 came to \$168.9 million, or \$2.16 a share, compared with a year-earlier loss of \$202.5 million, or \$2.67 a share.

The latest results included \$105.7 million in write-downs on land and other items, compared with \$111.7 million a year earlier. Hovnanian recorded a \$37 million gain on retirement of debt.

Revenue in the latest quarter tumbled 46% to \$387.1 million.

Analysts polled by Thomson Reuters projected a loss of \$1.52 on revenue of \$392 million.

Hovnanian, which operates in 18 states including California, Arizona and Florida, said net contracts excluding unconsolidated joint ventures fell 9% to 1,442 homes. The average price slipped 5.9% to \$275,145.

The cancellation rate slid to 23% from 32%, which Hovnanian said is back to more normalized levels, meaning home buyers were entering contracts with a more realistic view about the housing situation.

As of July 31, the company's contract backlog was 1,978 homes, down 34%, with a sales value of \$614.2 million.

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